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TAB 4 – Attachment Item # IV.2.C.

Public Private Partnerships:

Part 1: General Concept



Overview

- What is a Public Private Partnership?
- What a PPP is NOT
- What makes a project a potential PPP?
- What are elements to look for in a PPP?



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What is a Public Private Partnership (PPP) in Transport in a Developed Country?

- A cooperative, risk-sharing agreement between a public entity and a private entity involving (usually)
 - Operation of infrastructure or services
 - Design and Construction of Infrastructure
 - Design, construction and operation and maintenance of infrastructure
- PPP's could allow for better use of limited resources – they **do not** replace public investment



What a PPP is NOT

- It is not a simple Design/Build Project with a public construction manager
- It is not public financing of privately owned infrastructure
- It is not transferring costs of infrastructure from one group (private sector, public sector, users) to another group
- A PPP does not allow for the provision of public infrastructure at no cost to the public
- PPP's do not negate the need for public investment



What makes a project a potential PPP for the public sector?

- Generates a revenue stream either through user fees and/or performance-based payments
- Public sector does not have the capacity or wherewithal to construct and/or operate the infrastructure
- Operational efficiencies can be gained through use of private sector



Why use a PPP?

- PPP adds Value for Money
 - Allows private sector innovation to provide a higher level of service to the public for the same investment
- Cost Control
 - Public sector has a known fee for the infrastructure operation each year based on performance of the infrastructure
 - Private sector takes the risk that they can provide the desired level of service at the negotiated fee
 - Fee for design and construction contracted at once – risk of construction costs possibly borne by contractor
- Access to specialized knowledge / personnel



What are elements to look for in a PPP Proposal from a private firm?

- Risk sharing
 - Risk of project is shared between the public and private sectors
- Contribution
 - Both public and private sectors contribute resources
- Experience



What does the private sector gain?

- Specialization
 - Can become leaders in specialized fields to sell services around the world
- Steady stream of income
 - Length of agreement provides a potentially stable income stream (attractive for pension funds, etc)
- Prestige
 - Many PPP's are large projects and some of most significant, lasting achievements of our civilization



Points to Take Away

- PPP's do not negate the need for public investment
- True PPP's have both public and private equity with risk shared based upon equity contributed
- For the public sector, PPP's can help control/manage operating and maintenance costs



Public Private Partnerships:

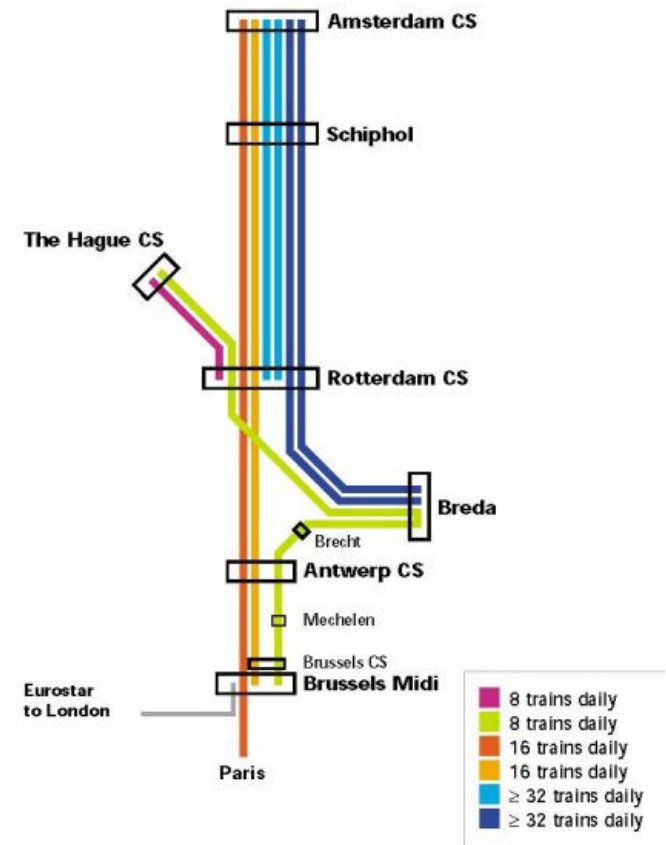
Part 2: Examples

Overview

- HSL – Zuid
- Canada Line
- Tube Lines
- Dulles Greenway / Silver Line

HSL – Zuid – Basic Information

- High Speed Train line between Amsterdam and the Belgian border
- Will Enable Travel between Amsterdam and Paris (similar to Atlanta-Jacksonville) in 3-hours with 16 trains / day
- Travel between Amsterdam and Rotterdam in 37 minutes (similar to Atlanta – Gainesville) with trains every 10 minutes



- Every 10 minutes, a high-speed train will leave Amsterdam in the direction of Rotterdam.
- 8 trains will daily depart The Hague for Brussels, via Breda. Additionally, 8 shuttle trains will daily travel to Rotterdam, allowing passengers to change there to high-speed trains.

HSL – Zuid - Organization

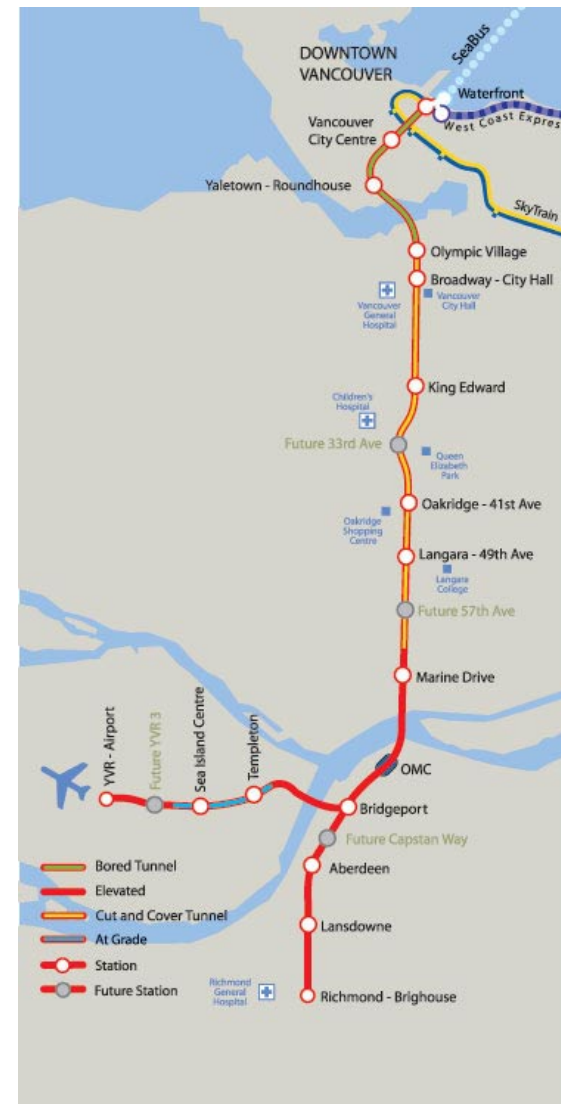
- Three major players working for Ministry of Transport:
 - Pro Rail – Rail infrastructure owner and contract manager
 - Infrasppeed – Construction and Financing Consortium (Siemens, Fluor, HSBC, etc)
 - HiSpeedAlliance – Operating Consortium (KLM Airways and NederlandSpoorwagen)



Canada Line – Basic Information

- ~12 mile rail line with 16 stations between Downtown Vancouver and Vancouver International Airport and the city of Richmond
- Projected to carry 100,000 riders/day by 2010 for the Winter Olympics
- Trains every three minutes between Downtown and Bridgeport

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Canada Line - Organization

- Translink (Public Transit Operator) retains ownership of line
- 35-year concession to build, operate, maintain, and partially finance
- ~\$1.9 billion (68% public /32% private)
 - Private takes construction maintenance costs risk
 - Public takes ridership/fare risks since it sets the fares



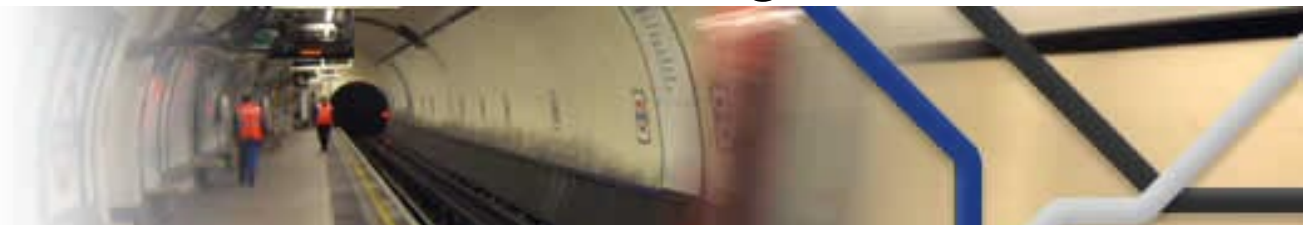
Tube Lines – Basic Information

- Maintenance and Reconstruction of Three lines for the London Underground
 - Jubilee Line (127 million annual pass.)
 - Northern Line (207 million annual pass.)
 - Piccadilly Line (176 million annual pass.)
- Financing in place for £4.5 billion between 2002 and 2010 (~ \$9 billion)
- 30 year contract with performance based payments based upon
 - Availability
 - Ambience
 - Service Points



Tube Lines - Organization

- Major Shareholders
 - Amey (Grupo Ferrovial)
 - Bechtel
- Tube Lines Is a wholly owned subsidiary of Tube Lines (Holdings) Limited (TLH Ltd)
- Contract with London Underground for:
 - Maintenance Enhancement, and renewal of infrastructure of the Jubilee, Northern and Piccadilly Lines of London Underground

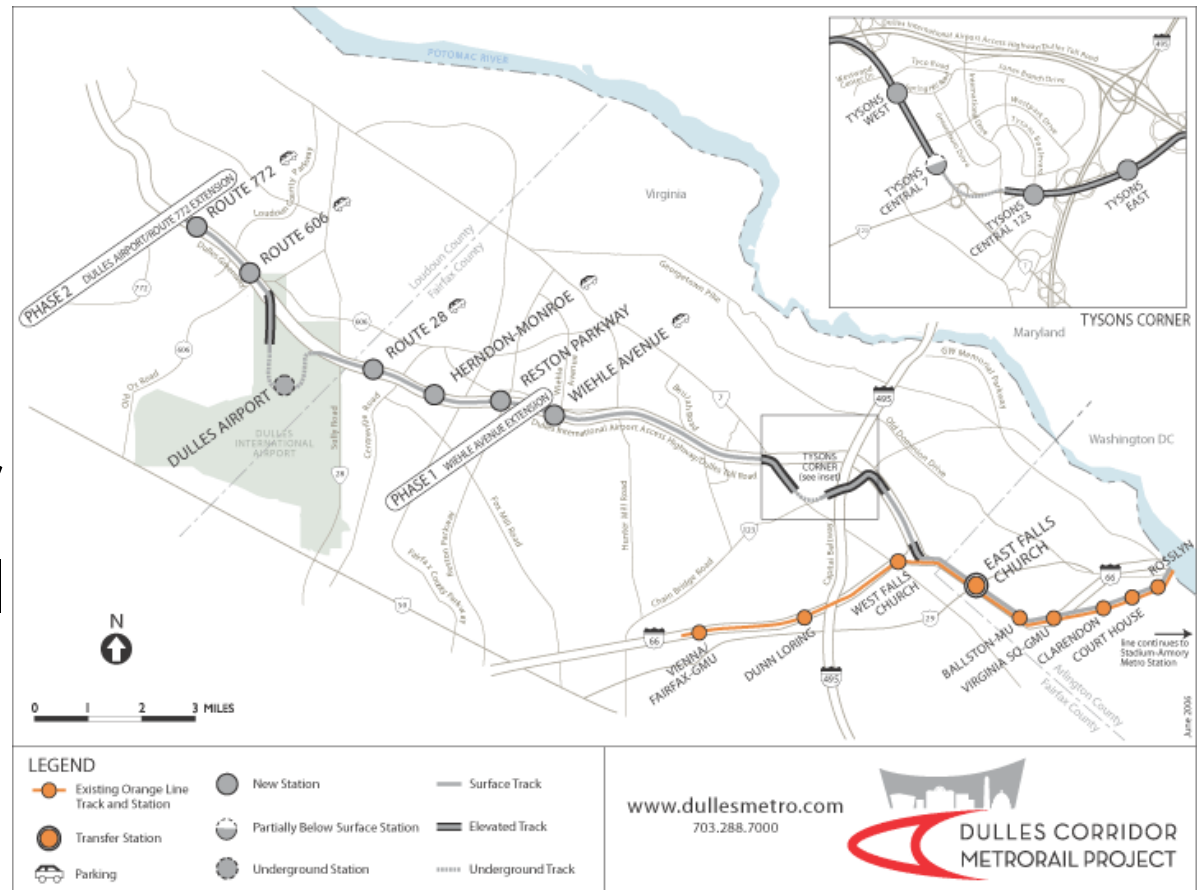


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Dulles Greenway / Silver Line – Basic Information

- Extension of Washington Metro to Dulles Airport through Tysons Corner
- Estimated total cost of ~ \$3.5 billion



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Dulles Greenway / Silver Line - Organization

- Funding is completely public – Commonwealth of Virginia, Fairfax and Loudoun Counties, and Metropolitan Washington Airport Authority
- Public funds also from increase on parallel toll-road
- Dulles Transit Partners provides engineering and construction management, but no financing.
- Operations will be by WMATA (Current heavy rail operator)
- Therefore – this is NOT a PPP, but a Design-Build contract. Design-Build is used to control construction costs and accelerate project delivery

Dulles Greenway / Silver Line

Why it is NOT a PPP

- Complete Public Funding and Financing
 - Private contribution through Special Tax District and Tolls from Greenway
 - No equity from Construction Consortium
- Construction is a Design/Build
 - Useful for controlling construction costs
 - Useful for accelerating construction once approved
- However, Design/Build contracts:
 - Leave operation and maintenance risk on public sector
 - Have potential to not take the long-term maintenance view since constructor does not maintain
 - No long-term private commitment

Other Projects

- Hudson Bergen LRT (Northern NJ)
- Riverline (Camden-Trenton, NJ)
- SR 125 (San Diego)
- Pocahontas Parkway (Richmond, VA)
- Millau Viaduct (France)
- Brenner Tunnel (Austria to Italy)

Basic Conclusions

- Public Retains ownership of infrastructure
- Public and Private Equity contributed
- Agreements typically seem to be between 30-35 years for construction and operation
- Two types
 - Construction, Maintenance and Operation of new infrastructure
 - Operation, Maintenance and Rehabilitation of Existing Infrastructure
- Extensive use of Project Specific subsidiaries by both the public and private sectors

Public Private Partnerships:

Part 3: Potential Applications

Potential Transit PPP

- Existing – CCT, GCT, and Xpress
- Regional Operating Contract
- Fixed Guideway Construction and Operation
 - Emory / Lindbergh

Existing

- Current operational contracts:
 - CCT, Gwinnett, Xpress, C-TRAN
- Risk of operational cost shared through contract
- Public Sector provides the infrastructure (buses)
- Private sector takes risk of operational costs (driver pay, retention, maintenance, etc)

Regional Operating Contract

- Existing operators create a jointly held company
- Identify regional local routes and bid out operation of those routes as a package
 - Each operator agrees to pay a certain amount based upon the service being received
 - Contract is performance based (on-time performance, bus availability, state of good repair benchmarks)

Fixed Guideway Construction and Operation – Emory?

- Attractiveness:
 - Major Traffic Generator
 - Long-Identified Need
 - Technology Unspecified
- Potential Contract
 - RFP or RFI for 30-35 year Design/Build/Operate/Maintain/Finance contract
 - Emory to Lindbergh

Fixed Guideway Construction and Operation – Emory? - 2

- Public Sector:
 - Identifies ROW (CSX Corridor)
 - Sets Fares
 - Will Pay if Performance Meets Defined Standards such as:
 - 5-minute headways
 - 95% OTP
 - Infrastructure in Specified Condition at Turnover
 - Constructed and open to revenue service within Specified Time Frame (i.e. 3-4 years)
 - Risk of Ridership since public sets fares, therefore payments to operator based upon delivery of service
 - Risk of construction cost and operational cost increases transferred to private group

Fixed Guideway Construction and Operation – Emory? – 3

- Private Sector
 - Brings Construction/Design Expertise
 - Stable revenue stream once service open to traffic
 - Potential bonus if ridership exceeds expectations (could negotiate fare revenue sharing)
 - Risk of Construction, Maintenance and Operations Costs

Points to Consider

- Transit has significant experience with managing private operators in the region
- Could this experience be leveraged into greater cooperation?
- Some transit projects require construction. Does this region have:
 - The cooperation and comfort level to pursue a transit PPP?
 - The wherewithal to effectively manage a PPP?